

**REPORT OF THE AUDIT OF THE
LAWRENCE COUNTY
SHERIFF'S SETTLEMENT - 2005 TAXES**

September 15, 2006

**ROSS & COMPANY, PLLC
Certified Public Accountants**

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To the People of Kentucky

Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable David Compton, Lawrence County Judge/Executive
Honorable Garrett Roberts, Lawrence County Sheriff
Members of the Lawrence County Fiscal Court

Independent Auditor's Report

We have audited the Lawrence County Sheriff's Settlement - 2005 Taxes as of September 15, 2006. This tax settlement is the responsibility of the Lawrence County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

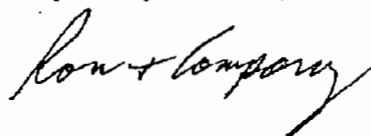
As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Lawrence County Sheriff's taxes charged, credited, and paid as of September 15, 2006, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable David Compton, Lawrence County Judge/Executive
Honorable Garrett Roberts, Lawrence County Sheriff
Members of the Lawrence County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2007 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", is written over a horizontal line.

Ross & Company, PLLC
Certified Public Accountants

Audit fieldwork completed -
January 25, 2007

LAWRENCE COUNTY
GARRETT ROBERTS, SHERIFF
SHERIFF'S SETTLEMENT - 2005 TAXES

September 15, 2006

	Special			
	County Taxes	Taxing Districts	School Taxes	State Taxes
<u>Charges</u>				
Real Estate	\$ 604,822	\$ 532,736	\$ 1,476,890	\$ 460,649
Tangible Personal Property	49,651	56,349	121,242	89,766
Intangible Personal Property				36,626
Fire Protection	5,627			
Increases Through Exonerations	326	271	797	249
Franchise Corporation	145,311	153,603	343,199	
Additional/Supplemental Billings	637	668	1,521	474
Unmined Coal - 2005 Taxes	14,456	16,800	35,301	11,010
Oil and Gas Property Taxes	26,691	22,191	65,177	20,329
Fire Protection Fees		94,035		
Penalties	6,959	7,565	16,873	5,320
Adjusted to Sheriff's Receipt	(345)	(1,257)	(616)	(284)
Gross Chargeable to Sheriff	<u>\$ 854,135</u>	<u>\$ 882,961</u>	<u>\$ 2,060,384</u>	<u>\$ 624,139</u>
<u>Credits</u>				
Exonerations	\$ 10,778	\$ 12,210	\$ 26,214	\$ 8,988
Discounts	8,966	9,080	21,711	8,304
Delinquents:				
Real Estate	23,961	29,001	58,088	18,118
Tangible Personal Property	1,150	1,320	2,809	3,004
Intangible Personal Property	146	122	358	288
Unmined Coal	219	182	535	112
Uncollected Franchise				167
Total Credits	<u>\$ 45,220</u>	<u>\$ 51,915</u>	<u>\$ 109,715</u>	<u>\$ 38,981</u>
Taxes Collected	\$ 808,915	\$ 831,046	\$ 1,950,669	\$ 585,158
Less: Commissions *	<u>34,666</u>	<u>35,319</u>	<u>78,027</u>	<u>25,157</u>
Taxes Due	\$ 774,249	\$ 795,727	\$ 1,872,642	\$ 560,001
Taxes Paid	773,584	795,070	1,870,874	559,449
Refunds (Current and Prior Year)	<u>698</u>	<u>690</u>	<u>1,860</u>	<u>580</u>
Due Districts or (Refund(s) Due Sheriff		**		
as of Completion of Fieldwork	<u>(33)</u>	<u>\$ (33)</u>	<u>\$ (92)</u>	<u>(28)</u>

See page 4 for * and **

The accompanying notes are an integral part of this financial statement.

LAWRENCE COUNTY
GARRETT ROBERTS, SHERIFF
SHERIFF'S SETTLEMENT - 2005 TAXES
September 15, 2006
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	2,215,119
4% on	\$	1,950,669

** Refunds Due Sheriff:

Library District	\$	(15)
Health District		(7)
Extension District		(6)
Soil Conservation		(3)
Fire and Rescue		(17)
Fire Protection		15
		<hr/>
Due Districts or (Refund(s) Due Sheriff)	\$	<u>(33)</u>

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENT

September 15, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENT
September 15, 2006
(Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of September 15, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2005. Property taxes were billed to finance governmental services for the year ended June 30, 2006. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 15, 2005 through April 28, 2006.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2005. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was April 27, 2006 through September 15, 2006.

Note 5. Interest Income

The Lawrence County Sheriff earned \$2,434 as interest income on 2005 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office. As of January 25, 2007, the Sheriff is due \$253 in interest from the school district and \$264 in interest from the fee account.

Note 6. Sheriff's 10% Add-On Fee

The Lawrence County Sheriff collected \$31,746 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 7. Advertising Costs And Fees

The Lawrence County Sheriff collected \$5,185 of advertising costs and \$2,232 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

Note 8. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.090, property is presumed abandoned after three years, after which time it is turned over to the Kentucky State Treasurer in accordance with KRS 393.110. For the 2005 taxes, the Sheriff had \$2,399 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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The Honorable David Compton, Lawrence County Judge/Executive
Honorable Garrett Roberts, Lawrence County Sheriff
Members of the Lawrence County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Lawrence County Sheriff's Settlement - 2005 Taxes as of September 15, 2006, and have issued our report thereon dated January 25, 2007. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lawrence County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Lawrence County Sheriff's Settlement - 2005 Taxes as of September 15, 2006 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", written in a cursive style.

Ross & Company, PLLC
Certified Public Accountants

Audit fieldwork completed -
January 25, 2007

